

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	CIVIL ACTION NO. <u>02-80703</u>
)	
v.)	
)	
NATIONAL ASSOCIATION OF)	COMPLAINT FOR
POLICE EQUIPMENT DISTRIBUTORS,)	EQUITABLE RELIEF
INC.)	FOR VIOLATION
)	15 U.S.C. § 1
Defendant.)	

The United States of America, acting under the direction of the Attorney General, brings this civil action pursuant to Section 4 of the Sherman Act, as amended, 15 U.S.C. § 4, to obtain equitable and other relief to prevent and restrain violations of Section 1 of the Sherman Act, as amended, 15 U.S.C. § 1. The United States alleges:

1. The Court has jurisdiction of this matter and over the parties pursuant to 15 U.S.C. § 4 and 28 U.S.C. §§ 1331 and 1337.
2. The defendant resides and transacts business within this District. Venue is proper in this District under 15 U.S.C. § 22 and 28 U.S.C. § 1391(c).

3. Defendant, National Association of Police Equipment Distributors (“NAPED”), is a corporation organized and existing under the laws of the State of Florida with its principal place of business in Boynton Beach, Florida. It is a national trade association that represents police

equipment distributors and dealers (hereinafter collectively referred to as “distributors”) throughout the United States.

III. Background

4. Approximately 24 distributors of police equipment products are currently members of NAPED. These distributors are located in various cities and states throughout the United States. They buy their products from manufacturers and re-sell them to federal, state, and local law enforcement agencies and other customers throughout the United States. NAPED members compete with each other, with other police equipment distributors, and with manufacturers selling directly to customers.

5. The United States General Services Administration (“GSA”) negotiates contracts with manufacturers of police equipment products that allow federal agencies to purchase such products at a discount. Section 1122 of the National Defense Authorization Act of 1994 (Pub. L.No. 103-160 (1993)) (“Section 1122”), permits state and local law enforcement agencies also to purchase police equipment products directly from manufacturers at the prices negotiated by the GSA, as long as the equipment is to be used for drug interdiction (“GSA Program”). Until January 1, 1999, participation in the GSA Program was mandatory for manufacturers selling police equipment products to federal entities at GSA-negotiated prices. After January 1, 1999, participation became voluntary.

6. Prior to the passage of Section 1122, state and local law enforcement agencies purchased most police equipment from distributors at prices reflecting the distributor mark-up. After the passage of Section 1122, manufacturers selling under GSA schedules competed with distributors of police equipment, including the defendant's members, for sales of police equipment

to state and local law enforcement agencies. Consequently, state and local law enforcement agencies could choose to buy police equipment directly from the manufacturers under the GSA Program at negotiated, reduced prices, or from distributors who often provided them with certain services not provided by manufacturers.

IV. Trade and Commerce

7. During the time period covered by this Complaint, police equipment products have been sold to customers, including state and local law enforcement agencies, located throughout the United States in a continuous and uninterrupted flow of interstate trade and commerce. The activities of the defendant and its members, as described herein, have been within the flow of, and have substantially affected, interstate commerce.

V. Claim for Relief

8. Beginning at least as early as spring of 1998, and continuing until at least December of 1999, the defendant, through its officers, directors, and members, organized, promoted, and advocated an unlawful group boycott by the defendant's members of manufacturers who participated or considered participating in the GSA Program, in violation of Section 1 of the Sherman Act.

9. Defendant engaged in the unlawful group boycott to protect and further its own economic self-interests. Distributors who belong to the defendant trade association specialize in selling police equipment products to state and local law enforcement agencies. They feared competition from direct sales by the manufacturers in the GSA Program would lead to reduced prices or lost sales.

10. Defendant intended, by its unlawful actions, to prevent participation by manufacturers in the GSA Program and thereby limit competition from them for the sale of police equipment products to state and local law enforcement agencies.

11. Defendant engaged in conduct designed to prevent such competition by manufacturers with the defendant's members for the business of state and local law enforcement agencies. The defendant repeatedly urged its members to refrain from dealing with any manufacturer who participated in the GSA Program. As a result, many of the defendant's members, purporting to speak on behalf of defendant, pressured manufacturers not to participate in this program. Such actions engendered fear of retaliation in manufacturers who participated or considered participating in the GSA Program and caused at least some of them not to participate or to limit their participation in the program.

12. During the summer of 1998, the defendant, through its members, contacted manufacturers under the guise of taking a survey of manufacturers' attitudes toward the GSA Program and pressured them to avoid their legal obligations to accept orders from state and local law enforcement agencies and not to participate in the GSA Program.

13. Defendant monitored participation by manufacturers in the GSA Program. When it learned that a manufacturer had made sales under the GSA Program, or attended or considered attending GSA Program promotional events, its officers and directors acted to prevent the manufacturer's further participation in the program. For example, one manufacturer, fearing that it would be "blackballed" for participating in a GSA Program event to attract purchasers and vendors, withdrew its registration for the event. Another manufacturer, which attended the GSA Program event, was excluded from a distributor's mail order catalog as a result of its participation in the event. Also, at a meeting with the executives of a large manufacturer, one of defendant's

officers stated that the trade association would not “support” manufacturers that engaged in 1122 sales under the GSA Program. The executives understood this to mean that defendant’s members no longer would do business with their company if it participated in the GSA Program.

14. The purpose and effect of the boycott agreement between defendant and its members was to prevent participation by manufacturers in the GSA Program and thereby limit competition from them for the sale of police equipment products to state and local law enforcement agencies. The agreement had the following effects, among others:

- (a) participation by manufacturers in the GSA Program was significantly less than it otherwise would have been;
- (b) certain manufacturers were prevented from competing with distributors for the sale of police equipment products to state and local law enforcement agencies; and
- (c) state and local law enforcement agencies were deprived of the benefits of free and open competition in the purchase of police equipment products.

15. Unless permanently restrained and enjoined, defendant will continue, maintain, or renew the group boycott or take other steps to stop or limit manufacturers' participation in the GSA Program, in violation of Section 1 of the Sherman Act.

VI.

Prayer for Relief

WHEREFORE, plaintiff prays:

1. That this Court adjudge and decree that the defendant has engaged in an unlawful combination and conspiracy to restrain interstate commerce, in violation of Section 1 of the Sherman Act.

2. That the defendant, its officers, directors, agents, employees, successors and assigns and all other persons acting or claiming to act on their behalf, be permanently enjoined from engaging in, carrying out, renewing or attempting to engage in, carry out or renew the combination and conspiracy alleged herein, or any other combination or conspiracy having a similar purpose or effect in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

3. That plaintiff have such other relief as the Court may deem just and proper.

4. That plaintiff recover the costs of this action.

Dated: July 25, 2002

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